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GSU Economic Forecasting Project Newsletter

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Monthly Projections for January

WHERE IS THE RECESSION?

No recession was apparent in the statistics that measured economic activity during December. Hours worked expanded by 0.5% while employment in goods producing industries grew almost as rapidly as in serivce oriented activities. Mild weather undoubtedly accounts for the continuing strength in construction employment, but weather alone cannot explain the nearly 70% of all industries that recorded increases in employment during December. Strong employment growth means significant gains in personal income, which expanded 1.2% in December. Even with double-digit inflation, positive economic activity can be sustained with this rate of income growth. Of course, consumers clung tenaciously to their 4% real rate of expansion in consumer expenditures, as outlays grew 2.0% in December and retail sales expanded 1.1% according to advanced estimates. (However, the late month surge in auto sales was not reflected in the initial retail sales figures As a result, significant upward revision in those sales may occur when more complete figures are announced with the January report.) The fact that personal savings fell to 2.6% in December still does not seem to faze consumers.

While the modest increase in housing starts during December surprised some analysts, favorable weather rather than favorable economic conditions probably accounted for that gain. Indeed, a large gap of 323,000 housing units between starts and permits developed during the month. Normally, such a gap is eliminated in subsequent months. Moreover, housing permits continue to trend downward, falling 4.7% in December. With sales of single-family housing units at a decade low during the month of November, further weakness in housing activity almost is inevitable.

Despite the estimated 1.4% increase in real economic activity during the fourth quarter, business activity does not appear to be very strong. Defense shipments are rising sharply, up 12.2% in the last five months, and orders also are expanding rapidly. The developing Afghanistan and Iranian situations almost certainly suggest that further significant increase in defense orders and shipments will be forthcoming in the next two years. On the other hand, shipments of nondefense capital goods took an unexpected decline during November primarily as a result of weakness in transportation equipment. The unexpected strength in

consumer activitiy also caused some reduction in inventories at wholesale and a very modest increase at retail. Manufacturing inventories, on the other hand, grew somewhat in excess of economic activity during November.

The long anticipated slowing of commodity inflation following the June, 1979, OPEC price increases appears to be at hand. Of course, the December OPEC price increases soon will be reflected in accelerating commodity inflation once again. Thus, the reduction to a 0.8% increase in the Producer's Price Index for finished goods during December may be repeated in January but should not continue much beyond that period. The grain embargo is expected to have only a temporary negative effect upon food prices. Indeed, during the spring, when the prospects of relatively stable grain prices are assessed by meat producers, meat production could decline substantially in order to rebuild the size of herds. If so, meat prices could again move into double-digit territory for a few months in the spring and early summer. With this possible reacceleration of inflation, it now appears that interest rates may challenge, and possibly exceed, the October peaks in March or April of 1980.

In summary, no recessionary tendencies are yet available as a result of the monthly data with the exception of the sharp decreases in the leading indicators during October and November. The savings rate is at unsustainablly low levels, but it is unlikely that consumers will reverse their spending patterns prior to any subsequent changes in economic conditions. Weakness is developing in the construction sector, but rising defense expenditures probably will ensure that activity in the capital goods industry remains positive. Thus, any recessionary trigger will be relatively modest. For this reason, we now expect that the recession probably will be very mild, but we also expect that the impact upon inflation will be virtually nonexistent.

Monthly Highlights
January 1980

Payroll employment, +74,000; hours worked, -0.1%; unemployment, 6.1%; personal income, +0.5%; disposable income, +0.4%; retail sales, +0.1%; auto sales, 10.0 million; industrial production, -0.2%; housing starts, -7.9%; housing permits, -2.9%; construction expenditures, -1.3%; durable goods orders, -0.7%; orders for nondefense capital goods, -1.6%; business inventories, +1.3%; CPI, +0.9%; PPI, +0.7%; merchandise trade deficit, -$2.15 billion; leading indicators, -0.6%; M1, +6.5%; M2, +7.2%.

Profile of GNP

	% Change 1980-1	% Change 1980-2	% Change 1980-3	% Change 1980-4
Change in Real Output	-1.1	-2.5	-0.8	+1.1
Price Deflator	9.3	9.6	8.8	9.6
Nominal GNP	8.2	6.9	7.7	11.0

Technical Note

The Monthly Projections have been completely revised in order to provide a complete systematic analysis of the national economic environment each month. While only two categories, dollar value of auto sales and dollar value of residential construction, have been added to the basic tables, substantial changes have occurred in the process by which the monthly projections are made. Some of the information derived implicitedly from the monthly data include: economy wide measures of productivity, unit labor costs, the proportion of wages in GNP, an index of hours worked, and a residual income term that combines operating profits and the statistical discrepancy. In our effort to develop monthly GNP accounts, we discovered that the volatile inventory and trade sectors led to extremely volatile estimates of GNP. As a result, several arbitrary smoothing devices were instituted in an effort to develop more uniform changes in conditions on a monthly basis. The inventory valuation adjustment is based upon price changes over a three month period to coincide with normal turnover rates for most inventories. Changes in inventory investment apparently are based upon a six month history, although events may indicate that this is too long a period of time to adjust this particular variable. No smoothing device was used for merchandise exports, but the net returns on investments and services abroad were assumed to follow a smooth growth path that is consistent with the quarterly projections. Similar smoothing devices were used for the nondefense portion of federal purchases and the non-construction portion of state and local purchases.

Commentary

Fourth Quarter GNP

With one exception, the fourth quarter GNP figures corresponded closely to conditions that were recorded in the monthly data. The exception was in the net exports of goods and services. The merchandise trade deficit for October and November was almost the same as the deficit for July and August. Thus, little change was expected in the trade account. Indeed, quarterly returns from services and investments abroad were rising briskly. Estimates by the Treasury that the current account would move into a sharp positive position partially depended upon a continuation of that upward rise. According to the preliminary GNP estimates, not only has that upward trend not continued, but it has actually been reversed in the fourth quarter. Moreover, early estimates must be suggesting that the merchandise trade deficit for December is very large (above $3.0 billion). If the subsequent reports do not significantly alter these estimates, the likelihood of positive gains on the current account during 1980 must be subject ot considerable doubt.

Aside from the trade figures, the fourth quarter economy appeared to be remarkably in balance. Goods production increased more than $2.6 billion while nonfarm inventories expanded less than $0.3 billion. Federal purchases of goods and services rose more than 13% after adjustment for inflation, partially because gold sales were reduced while grain purchases were intensified. Another large boost in this category may develop in the first quarter as a result of the expansion of grain reserves following the grain embargo against the Soviet Union. Strength after the first quarter is unlikely, however.

The remarkable performance by the consumer during the fourth quarter, which caused the savings rate to fall to 3.3%, was concentrated in only a few areas. After adjustment for inflation, food purchases rose 7.5% at annual rates, clothing purchases increased by 11.3% (partially as a result of favorable pricing), toys and cosmetics added to a 12.9% increase after inflation in the other nondurables category, while housing services expanded by 6.4%. All of these rates of increase greatly exceed long-term expansion paths and should moderate substantially in subsequent months. In particular, the apparel sector has experienced three exceptionally strong years. Traditionally, the apparel sector experiences two strong years followed by two lean years, but the continued strength in 1979 appears to be caused by the desire to increase the quality and durability of the average wardrobe. This behavior would extend the length of the cycle, but not cancell it. Thus, considerable weakness probably should develop in the clothing and shoe categories some time during 1980.

Unit labor costs increased 9.4% in the private economy while the private deflator increased only 8.3%. (The more robust increase in the total GNP deflator was caused by the annual salary increases for federal government workers during October). Thus, underlying price pressuers remain even more intensive than those being recorded in the indices. This also means that operating profits rose very little during the fourth quarter. Indeed, our estimates of after tax profits show a gain of 10.4% to $152 billion. Since inventory valuation adjustments and capital consumption adjustments both are up significantly in the fourth quarter, genuine profits appear to have actually declined by a small amount.

Employment

The 317,000 increase in payroll employment during December was not anticipated by changes in initial unemployment claims. Indeed, the insured labor force showed a 0.3 percentage point increase in the unemployment rate between the November and December reference weeks. (However, intital unemployment claims are again receding and that unemployment rate is beginning to decline once again). A revision of the seasonal factors for household employment may be partially responsible for the favorable unemployment rate that was recorded during December. On the other hand, that revision seemed to eliminate most of the dramatic discrepancy that had begun to develop between the household and payroll employment series.

Personal Income and Outlays

Given the significant increase in payroll employment, the 1.2% increase in personal income during December was no surprise. However, the sharp advance in personal outlays was not anticipated by the advance report on retail sales. That report did tend to show a smaller recovery in auto sales than was reflected in estimates of unit sales during the month. It is possible that the underreporting of auto expenditures was identified by the time that the personal income and outlays report was assembled.

Construction

At the present time, the incredibly mild weather during winter is significantly distorting construction activity. The 0.4% increase in housing starts despite a further 5% decrease in housing permits clearly reflects the decision to use existing permits while the weather permits rather than any reversal of housing prospects. Indeed, the slump in permits for multifamily units indicates that a substantial drop in housing starts still is highly likely during the winter months.

Prices

Normally, the slowing in the producer's price index for finished goods to a 0.8% rate of increase in December would indicate some slowing in the CPI for that month. However, the financial services component of the CPI is based upon a three month moving average of finance charges during the first five business days of the month. This weighting scheme means that housing services probably will experience their most rapid increase during December. Moreover, the 0.1% increase in energy prices that was reported in November is unlikely to persist. In the Producer's Price Index, energy components are lagged a month. As a result, wholesale and retail prices for electricity are recorded during the same month. In November, the PPI estimates indicated a drop in electricity prices. This drop did occur in the consumer price index. In December, the PPI shows a 3.5% increase in electricity prices. Assuming a comparable increase develops for the utilities component of the CPI, the services component may show the largest increase of the year. Thus, a 1.2% increase in the CPI appears likely for December.

Miscellaneous

In November, the merchandise trade balance was aided by a $800 million transfer of gold to foreign owners. In addition, oil imports declined more than 11% in real terms. As reported earlier, a sharp reversal from these merchandise trade performances is likely. Our own estimates are for a $1 billion increase in the trade deficit, but the GNP accounts for the fourth quarter suggest that the deficit could again rise above $3 billion. The grain embargo also will have an adverse effect upon the merchandise trade balance during 1980. Not only will nearly $3 billion of agricultural exports be lost, but the reduced disappearance of grains worldwide as a result of reduced herd growth in the Soviet Union will lead to poorer terms of trade for the $30 billion of agricultural products that is exported. The total effect upon the trade balance of the embargo is estimated to be nearly $5 billion. Therefore, after the traditional firming of the dollar as a result of higher oil prices is exhausted, dollar weakness is likely in the spring and in the later months of 1980.

Financial Markets

Because the recessionary forces have been diminished and delayed, and because inflation may again move into significant double-digit activity in the spring of 1980, it now appears that interest rates have not peaked. Traditionally, short-term interest rates tend to trend downward between January 15 and the end of February. At the present time, there is no evidence that this normal seasonal

pattern is developing. For this reason, the ides of March in 1980 may again be another period of peak interest rates. At the present time, our projections show only a modest acceleration of interest rates following a very modest lull in February. However, estimates of seasoned Aaa's above 11% in March or April and of a prime rate that touches or exceeds 16% during the same period of time no longer can be fully discounted.

After the latest benchmark revision, but before any seasonal adjustments have been made to the newest monetary statistics, M1 grew 5.2% in December while M2 grew a surprisingly slow 5.7%. This occurred despite a rapid 8.1% increase in the monetary base and a very slow gain in the growth of currency. Thus, the stability of interest rates during December may have been caused by restraint by the Federal Reserve. While some improvement could occur when these restraints are lifted, it must also be remembered that December experienced some modest easing of inflationary pressures.

Stock Market Conditions

Two factors appear to be responsible for the favorable stock market performance in early January. First, short-term interest rates had stabilized after many months of increases. Moreover, the concensus forecast was for decreases in short-term interest rates in the months ahead. Second, industrial inflation was again intensifying. This meant that many industries, especially those with substantial stockpiles of raw resources, would experience a greater increase in the value of their assets than in the discount factor that is used to evaluate the current market value of such assets. The fact that a recession still has not developed also meant that near term earnings forecasts would need to be increased. However, interest rates probably will soon rise sufficiently to fully discount the resurging industrial inflation. Moreover, a mild recession still seems very probable. As interest rates are not expected to catch up with resurging industrial inflation until March or April, a stock market rally could persist through February. While such a rally could lead the Dow into the mid 900's, and the broader measures of the indexes up by twice that rate of increase, a significant correction then would be expected. Only at the end of the year, when interest rates are truly on a downward path and the recession that has not yet begun has basically been completed, will a renewed assault on the early spring highs occur.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Employment		Unemployment Rate		Hourly Earnings Index	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
August, 1979	89762	89762	125.5	125.5	96900	97004	6.0	5.9	232.2	232.2
September	89845	89803	125.9	125.9	97513	97504	5.8	5.8	234.2	234.3
October	90151	899	125.9	125.8	97293	97474	6.0	5.9	234.9	234.9
November	90229	90109	125.7	126.3	97479	97608	6.0	5.8	237.0	237.1
December	90148	90426	125.2	126.9	97524	97912	6.1	5.9	239.7	239.1
January	89983	90500	124.8	126.7	97356	98010	6.4	6.1	241.3	240.4
February	89702	90480	124.4	126.4	97265	98109	6.7	6.2	242.8	242.4
March	89505	90316	124.0	125.9	97000	97948	6.7	6.3	244.3	244.3
April	89463	90237	123.8	125.7	96783	97892	6.8	6.4	245.9	245.7
May	89419	90165	123.6	125.6	96572	97786	7.0	6.5	247.4	247.5
June	89354	90158	123.3	125.5	96463	97721	7.3	6.6	249.1	249.4
July	89296	90230	123.1	125.6	96505	97856	7.5	6.7	250.5	252.4
August	89315	90223	123.2	125.5	96759	97716	7.7	6.9	251.9	252.4
September	89358	90144	123.4	125.3	96779	97779	7.9	7.1	253.4	254.4
October	89428	90223	123.7	125.5	96815	97752	8.0	7.2	254.6	255.3
November, 1980	89498	90288	123.6	125.5	96889	97838	8.0	7.3	255.9	257.7

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
August, 1979	1.938	1.947	1.233	1.237	70.1	71.5	1.636	1.640	1.566	1.569
September	1.955	1.960	1.243	1.248	42.3	51.0	1.643	1.648	1.601	1.597
October	1.975	1.979	1.257	1.257	64.7	61.9	1.661	1.663	1.596	1.601
November	1.990	2.000	1.266	1.270	63.3	60.9	1.672	1.678	1.609	1.618
December	2.002	2.023	1.269	1.283	66.4	44.9	1.682	1.695	1.616	1.650
January	2.010	2.033	1.274	1.289	68.3	50.3	1.686	1.702	1.618	1.652
February	2.021	2.047	1.279	1.298	66.4	54.7	1.694	1.713	1.628	1.659
March	2.034	2.063	1.286	1.306	67.8	59.9	1.705	1.725	1.638	1.665
April	2.046	2.075	1.292	1.313	66.6	62.1	1.714	1.735	1.647	1.673
May	2.058	2.091	1.298	1.321	63.0	60.7	1.723	1.747	1.660	1.686
June	2.067	2.106	1.302	1.330	54.3	61.5	1.725	1.758	1.671	1.697
July	2.094	2.137	1.307	1.340	72.2	73.4	1.755	1.784	1.683	1.711
August	2.108	2.151	1.316	1.347	68.2	76.6	1.764	1.795	1.696	1.718
September	2.129	2.168	1.331	1.357	75.6	70.3	1.775	1.807	1.699	1.737
October	2.145	2.188	1.346	1.368	77.3	75.9	1.794	1.822	1.716	1.746
November, 1980	2.167	2.209	1.353	1.381	79.5	75.6	1.809	1.838	1.729	1.762

Fore. = November Forecast
C. E. = Current Expectations

RETAIL SALES

	Retail Sales		Non Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
August, 1979	74.62	74.79	11.35	11.36	11.0	11.0	48.79	48.84	14.48	14.59
September	76.26	76.93	11.47	11.59	10.8	10.8	49.82	49.96	14.97	15.38
October	75.19	75.61	11.53	11.45	9.4	9.4	49.67	50.14	13.99	14.02
November	75.57	76.18	11.62	11.23	9.5	9.5	49.80	50.93	14.15	14.02
December	75.47	77.02	11.60	11.40	9.5	10.2	49.67	51.36	14.20	14.26
January	74.93	77.11	11.42	11.32	8.5	10.0	50.66	50.99	12.85	14.80
February	75.15	77.11	11.35	11.47	8.3	9.5	51.15	51.39	12.65	14.25
March	75.39	77.88	11.40	11.62	8.3	9.0	51.29	51.81	12.70	13.57
April	75.69	77.75	11.38	11.53	8.4	9.0	51.41	51.98	12.90	13.64
May	76.32	77.84	11.39	11.74	8.6	9.0	51.68	52.46	13.25	13.64
June	76.76	78.26	11.37	11.85	8.5	8.9	52.24	52.80	13.15	13.61
July	77.23	78.81	11.38	11.89	8.3	8.9	52.95	53.26	12.90	13.66
August	77.78	79.04	11.39	11.98	8.2	8.7	53.59	53.62	12.80	13.44
September	77.43	79.88	11.32	12.06	8.2	8.8	53.26	54.16	12.85	13.66
October	77.95	79.78	11.36	12.00	8.3	8.6	53.53	54.15	13.06	13.65
November, 1980	78.45	80.97	11.42	12.14	8.4	8.7	53.85	54.91	13.18	13.92

INDUSTRIAL PRODUCTION

	Industrial Production		Capacity Utilization	
	Fore.	C. E.	Fore.	C. E.
August	151.5	151.6	84.8	84.8
September	152.3	152.4	85.1	85.1
October	152.3	152.3	84.8	84.9
November	151.0	151.8	83.7	84.4
December	150.3	152.2	83.0	84.4
January	149.8	151.9	82.5	84.0
February	149.1	151.4	81.8	83.5
March	148.1	150.7	80.9	82.8
April	147.3	150.0	80.2	82.1
May	146.8	149.8	79.7	81.6
June	146.3	149.6	79.2	81.2
July	145.8	149.7	78.7	81.0
August	146.1	149.5	78.6	80.6
September	146.4	149.2	78.6	80.1
October	146.7	149.5	78.7	80.1
November, 1980	147.8	149.6	79.4	79.9

Fore. = November Forecast
C. E. = Current Expectations

HOUSING

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
August, 1979	1.806	1.793	1.240	1.239	1.654	1.654	232.4	232.4	115.1	115.1
September	1.881	1.921	1.249	1.254	1.733	1.775	235.8	232.6	116.2	114.1
October	1.820	1.762	1.206	1.161	1.635	1.542	237.0	238.5	115.9	115.8
November	1.738	1.522	1.103	0.966	1.548	1.263	238.4	235.3	115.7	114.3
December	1. 95	1.527	1.094	0.972	1.52	1.204	236.3	232.2	113.8	112.2
January	1.565	1.406	0.983	0.871	1.360	1.169	235.4	229.2	112.6	109.8
February	1.502	1.323	0.936	0.802	1.267	1.073	235.6	229.5	111.8	109.1
March	1.436	1.268	0.853	0.752	1.195	1.052	234.3	227.7	110.4	107.4
April	1.409	1.272	0.874	0.757	1.177	1.005	231.8	227.1	108.4	106.2
May	1.381	1.231	0.863	0.700	1.141	1.022	230.6	229.0	107.1	106.2
June	1.344	1.209	0.834	0.709	1.093	0.975	230.0	230.0	106.1	105.7
July	1.312	1.269	0.792	0.742	1.067	1.024	230.2	231.1	105.4	105.3
August	1.286	1.337	0.751	0.795	1.036	1.096	229.6	233.5	104.4	105.3
September	1.314	1.388	0.773	0.846	1.045	1.146	230.1	236.2	103.9	105.9
October	1.345	1.452	0.795	0.912	1.063	1.197	230.7	239.0	103.4	106.3
November, 1980	1.422	1.516	0.864	0.955	1.160	1.262	232.3	240.1	103.4	105.9

HOUSING CONTINUED

	Private Non Residential		Public Construction		Residential Construction	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
August, 1979	82.8	82.8	49.5	49.5	100.1	100.1
September	82.5	82.6	52.1	50.9	101.2	99.0
October	83.1	86.3	51.9	52.9	99.7	99.2
November	83.9	85.7	53.0	51.2	95.3	98.3
December	84.6	86.1	52.9	52.3	88.7	93.8
January	85.1	85.8	53.5	53.2	84.3	90.2
February	85.7	86.7	54.1	53.3	80.7	89.5
March	85.6	87.2	54.2	53.5	80.5	87.0
April	86.0	86.6	54.8	54.1	81.1	86.4
May	86.6	89.0	55.3	54.6	82.4	85.4
June	87.1	90.5	54.7	54.5	82.3	85.0
July	87.5	91.2	55.3	55.2	81.9	84.7
August	87.9	91.4	56.9	55.5	81.5	86.6
September	88.1	90.9	56.2	56.2	82.4	89.1
October	88.4	91.6	56.6	56.6	84.4	90.8
November, 1980	88.7	91.4	57.0	56.5	86.6	92.2

Fore. = November Forecast
C. E. = Current Expectations

BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-defense Capital Goods Orders		Non-defense Capital Shipments	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
August, 1979	219.1	219.1	74.39	74.03	21.16	20.74	19.94	20.01
September	220.8	221.4	78.42	77.56	22.41	21.82	20.25	20.02
October	223.1	223.5	74.02	76.40	20. 6	20.78	20.36	20.02
November	224.6	226.2	73.14	76.32	20.55	21.09	20.45	19.61
December	226.8	228.7	72.56	75.39	20.39	20.76	20.64	20.06
January	228.3	231.1	74.16	74.86	21.02	20.43	20.67	20.35
February	229.8	233.9	72.85	75.42	20.53	20.92	20.77	20.29
March	230.5	235.8	71.73	76.19	20.12	21.43	20.66	20.69
April	231.8	237.5	74.12	76.50	20.96	21.36	20.85	20.66
May	232.7	238.8	75.63	76.12	21.42	21.35	21.03	20.81
June	233.3	240.1	75.89	75.76	21.53	21.03	31.39	20.76
July	234.1	241.3	74.12	76.35	21.01	21.55	21.26	21.13
August	234.9	242.2	74.02	77.14	21.32	21.99	21.45	21.59
September	236.5	243.3	73.61	77.43	20.79	22.07	21.33	21.68
October	238.1	245.3	74.46	77.96	21.15	22.38	21.49	21.66
November, 1980	239.0	247.7	75.85	77.16	21.75	21.99	21.64	21.62

	Business Inventories		Defense Shipments	
	Fore.	C. E.	Fore.	C. E.
August, 1979	416.9	416.9	2.99	2.99
September	421.3	417.3	2.88	2.93
October	424.9	421.1	2.94	3.01
November	428.9	424.2	3.00	3.12
December	434.1	429.3	3.18	3.21
January	436.0	434.8	3.23	3.27
February	438.8	439.8	3.26	3.34
March	441.4	442.9	3.29	3.37
April	442.8	446.2	3.36	3.44
May	444.1	447.9	3.45	3.45
June	446.2	450.5	3.51	3.53
July	447.9	452.4	3.57	3.55
August	449.6	454.1	3.66	3.68
September	451.7	456.0	3.81	3.74
October	453.8	460.2	3.92	3.83
November, 1980	456.0	464.0	3.99	3.85

Fore. = November Forecast
C. E. = Current Expectations

PRICES

	CPI (unadjusted)		PPI Finished Goods		PPI-Industrial Commodities (unadjusted)		Agricultural Prices (unadjusted)		IVA Corp. (annual rate)	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
August, 1979	221.1	221.1	217.3	217.3	240.4	240.6	237	237	42.3	46.5
September	223.4	223.4	220.4	220.4	243.8	243.8	240	241	45.1	50.2
October	226.1	225.4	223.7	223.7	248.4	248.5	235	236	49.4	59.7
November	228.3	227.5	225.9	225.9	251.5	250.2	237	238	37.6	46.3
December	230.4	230.0	227.8	227.8	253.7	252.8	239	239	23.5	42.5
January	231.9	232.1	229.1	229.4	255.3	255.8	244	239	24.5	44.1
February	233.0	234.2	230.6	231.5	257.1	258.6	249	245	25.1	46.9
March	234.4	236.2	232.0	233.7	258.6	261.5	253	249	22.2	46.0
April	237.2	238.7	234.6	235.8	261.2	265.4	258	255	31.5	43.3
May	240.1	241.2	237.0	238.2	263.9	268.2	256	255	32.9	39.6
June	243.3	243.7	240.1	240.7	268.4	270.5	260	261	58.4	36.7
July	245.2	245.8	242.0	243.0	270.6	273.3	264	266	20.9	33.4
August	247.2	247.6	244.0	245.0	272.9	276.2	262	262	22.4	31.2
September	249.5	249.8	246.2	247.4	275.2	279.4	266	264	23.5	34.0
October	251.6	251.8	248.3	249.6	277.1	283.1	260	257	30.3	35.7
November, 1980	253.7	253.7	250.5	251.7	279.0	285.1	257	253	29.2	36.4

MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
August, 1979	-2357	-2357	140.2	139.7	2387	2398	1428	1435
September	-2833	-2833	141.3	140.3	2412	2414	1433	1433
October	-2541	-2018	139.9	138.4	2424	2488	1428	1434
November	-2575	-1420	139.5	136.6	2439	2459	1408	1437
December	-2335	-2474	138.7	136.4	2453	2491	1425	1445
January	-2273	-2146	138.9	135.6	2454	2500	1417	1443
February	-2447	-2346	138.2	134.6	2459	2511	1410	1434
March	-2783	-2791	137.7	134.2	2468	2525	1406	1429
April	-2753	-2643	137.8	134.0	2480	2537	1403	1425
May	-2552	-2672	138.3	134.2	2492	2554	1401	1427
June	-1610	-2315	139.0	134.5	2502	2570	1397	1425
July	-1886	-2265	139.3	134.9	2523	2587	1399	1425
August	-2148	-2305	139.2	135.4	2534	2600	1395	1422
September	-2022	-2519	139.7	135.2	2549	2620	1393	1422
October	-2131	-2441	140.2	135.7	2588	2644	1400	1422
November, 1980	-1870	-2095	140.7	135.3	2610	2671	1406	1427

Fore. = November Forecast
C. E. = Current Expectations

FINANCIAL MARKETS

	Monetary Base		MI		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
August, 1979	149.4	149.4	374.3	375.3	922.5	927.1	10.88	10.88	9.45	9.45
September	151.0	151.0	377.8	379.2	931.9	936.6	11.33	11.33	10.13	10.13
October	152.3	152.5	378.6	380.0	938.6	943.3	13.07	13.07	11.34	11.34
November	153.4	152.7	381.3	380.5	944.8	948.3	15.55	13.65	12.16	11.86
December	154.2	153.7	383.4	382.1	949.8	952.7	14.83	13.77	11.63	11.85
January	154.6	155.0	384.6	384.1	956.3	958.2	13.62	13.83	11.45	11.82
February	154.9	156.1	385.6	386.4	963.9	965.9	12.48	13.42	11.29	11.56
March	155.3	156.9	387.5	388.7	972.1	947.1	11.19	13.86	11.10	11.82
April	156.2	157.1	389.1	389.9	979.5	979.1	10.85	13.46	10.62	11.56
May	157.1	157.6	391.5	391.8	986.3	886.1	10.78	13.00	9.83	11.02
June	158.3	158.6	393.6	393.7	990.7	993.8	10.53	12.43	9.28	10.51
July	159.0	159.1	395.2	395.1	996.5	999.2	10.28	11.67	9.35	10.02
August	159.8	159.7	396.0	396.9	1001.6	1005.8	10.09	10.76	9.39	9.72
September	160.6	160.5	397.1	399.1	1008.8	1014.3	9.71	10.24	9.39	9.42
October	161.4	161.3	398.2	401.3	1013.4	1022.0	9.66	10.15	9.32	9.48
November,1980	162.8	162.0	402.0	403.5	1023.5	1029.7	9.52	9.83	9.02	9.11

	Aaa (Seasoned)		Municipals		Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
August	9.23	9.23	6.20	6.20	10.36	10.36	10.58	10.58	11.88	11.91
September	9.44	9.44	6.52	6.52	11.58	11.58	11.79	11.79	13.13	12.90
October	10.00	10.13	7.08	7.08	13.09	13.09	13.19	13.53	14.65	14.39
November	10.45	10.75	7.21	7.30	14.16	13.62	14.43	14.00	15.73	15.55
December	10.11	10.74	6.99	7.22	13.85	13.17	14.09	13.43	15.48	15.35
January	10.05	10.92	6.97	7.28	13.02	12.88	13.25	13.35	14.76	15.10
February	10.05	10.78	6.98	7.19	12.16	12.71	12.41	13.26	13.95	15.00
March	9.99	10.95	6.89	7.35	10.79	13.39	10.95	13.68	12.53	15.40
April	9.91	10.81	6.82	7.25	10.51	13.30	10.77	13.62	12.29	15.35
May	9.83	10.75	6.73	7.23	10.37	12.78	10.56	13.05	12.02	14.60
June	9.72	10.44	6.65	7.07	10.19	12.11	10.39	12.45	11.74	14.08
July	9.70	10.29	6.62	7.01	9.86	11.14	10.06	11.51	11.50	13.22
August	9.69	9.95	6.59	6.87	9.54	10.37	9.94	10.75	11.43	12.40
September	9.68	9.81	6.60	6.73	9.37	9.78	9.65	10.15	11.00	11.75
October	9.64	9.72	6.55	6.66	9.29	9.84	9.45	10.27	10.75	11.75
November,1980	9.51	9.59	6.46	6.57	9.12	9.46	9.43	9.73	10.75	11.28

Fore. = November Forecast
C. E. = Current Expectation